



Douglas R. Oberhelman
Chairman and
Chief Executive Officer

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The Honorable Ron Kirk
United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Dear Ambassador Kirk:

Like all of you, I'm deeply concerned about the current status of WTO Doha negotiations. What's particularly frustrating is that while few believe an ambitious outcome is possible, many of us still think that Doha and the WTO offer a once-in-a-generation opportunity to open markets, promote development, build support for the trading system and, most importantly, create better jobs by generating global economic growth.

At Caterpillar we have gone back to the basics to examine the impact trade liberalization has had on our company. We have also looked at recent WTO proposals to determine if the negotiating stalemate is a result of a lack of ambition, a lack of leadership from the business community and/or a lack of support from NGO communities. And we believe it's a combination of all three, which is a shame when you look at all the good that has come from past trade liberalization.

During the Uruguay Round of the GATT, Caterpillar proposed the elimination of U.S. tariffs on construction equipment if "enough" other countries did the same. They did and as a result most construction equipment tariffs were eliminated in the U.S., Europe, Japan, Canada, Korea and a few other countries. (As you know this zero-for-zero tariff proposal was extended to other sectors including pharmaceuticals, steel, toys, beer, distilled spirits, paper, furniture as well as agricultural and medical equipment.)

What has been the result of more than a decade of zero tariffs on Caterpillar-type equipment? Arguably, it has been the most successful decade in our company's 86-year history.

While there are many reasons for our success, one of the most fundamental was that zero tariffs reinforced a core Caterpillar philosophy—it's better to embrace the global economy than try to hide from it.

Zero tariffs also underscored our belief that we succeed if our customers succeed. Without the extra tax on Cat products that tariffs represent, our customers became more competitive and prospered, our shareholders were better positioned to share in our success and our employees grew in numbers, were more productive, had more career opportunities and a higher standard of living. In fact from 2000 to 2010 Caterpillar employment increased by 9,700 in the United States, 7,100 in China, 4,000 in Brazil, 2,700 in India and 1,097 in Europe/Africa/Mideast.

While the ambition of the Uruguay Round provided a foundation for Caterpillar's success, we believe there's more to be done. For example, Caterpillar customers in many developing countries must still pay a tariff for the right to buy our products.

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That's why we were excited in April when Europe made a serious proposal involving Non-Agricultural Market Access (NAMA) negotiations. While not perfect, it was a strong proposal that could have built momentum to an eventual breakthrough regarding manufactured goods. By proposing that some of the zero tariff sectors—specifically agriculture and construction equipment—be embraced by developing countries, the impact on companies like Caterpillar and our customers would have been exceedingly positive. In fact, it's only a slight exaggeration to say that such a proposal would convert almost every Caterpillar dealership worldwide into the equivalent of a duty-free shop that you would find at the airport.

Unfortunately, reaction to the European NAMA proposal ranged from tepid support to outright rejection. Perhaps the problem was that business didn't immediately emphasize the positive impact proposals like this one would have on our customers in Asia and Latin America and how their success benefits us.

Regardless of the reason, business now needs to be more involved and more positive about WTO negotiations. As a first step, Caterpillar asks that the European NAMA proposal be reconsidered and expanded to other industries and countries. As you can see from the following chart, for many countries the applied tariffs are already considerably lower than bound rates, so trade liberalization is already taking place on a unilateral basis. What's needed is for countries to embrace it on a multilateral basis.

Sample Tariff Rates- Caterpillar Type Machines					
Machine Type	U.S.	EU	China	India	Brazil
Backhoe Loader	0 % - <i>0 %</i>	0 % - <i>0 %</i>	8 % - <i>8 %</i>	7.5 % - <i>25 %</i>	14 % - <i>35 %</i>
Excavator	0 % - <i>0 %</i>	0 % - <i>0 %</i>	8 % - <i>8 %</i>	7.5 % - <i>25 %</i>	0-14 %- <i>35 %</i>
Motor Grader	0 % - <i>0 %</i>	0 % - <i>0 %</i>	5 % - <i>5 %</i>	7.5 % - <i>25 %</i>	0-14 %- <i>35 %</i>
Wheel Loader	0 % - <i>0 %</i>	0 % - <i>0 %</i>	5 % - <i>5 %</i>	7.5 % - <i>25 %</i>	0-14 % - <i>30-35 %</i>
Tractor/Scraper	0 % - <i>0 %</i>	0 % - <i>0 %</i>	3-5 % - <i>3-5 %</i>	7.5 % - <i>25 %</i>	10 %- <i>35 %</i>
Off-Highway Truck	0 % - <i>0 %</i>	0 % - <i>0 %</i>	6 % - <i>6 %</i>	10 % - <i>40%</i>	0-14 % - <i>30 %</i>
Tractor, Track-Type	0 % - <i>0 %</i>	0 % - <i>0 %</i>	7 % - <i>7 %</i>	10 % - <i>40%</i>	0-14 % - <i>30-35 %</i>
Truck, Articulate Dump	0 % - <i>0 %</i>	0 % - <i>0 %</i>	6 % - <i>6 %</i>	10 % - <i>40%</i>	0-14 %- <i>30 %</i>

* Regular Font- Applied Rate * *Italics font- Bound Rate*

We also would like to call on our friends in NGO communities to emphasize the importance of proposals like Duty-Free, Quota-Free trade status for Less Developed Countries and initiatives to promote trade facilitation. After all, at its core Doha is a Development Round. The sooner all countries share in the benefit of globalization, the sooner poor countries will grow, standards of living will improve and demand will increase for products made in all countries.

It has almost become a negotiating cliché to say, “no deal is better than a bad deal.” Cliché or not that view should encourage us to not give up or lower our sights. But at some point, no deal is a bad deal too. We simply can't pass up this opportunity to promote economic growth and job creation today and in the years to come.

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What we need now is commitment and action from the business community, from NGOs and from the government. At Caterpillar, we are ready to do our part. We have always been vocal supporters of trade liberalization, and we are ready to do more. It's good for our business, our employees, our shareholders and our communities around the world.

On behalf of the men and women of Caterpillar, thank you for your dedication and efforts toward lowering trade barriers and enhancing the multilateral trading system. We looking forward to working with you

Best Regards,



Doug Oberhelman

c: The Honorable Antonio de Aguiar Patriota, Minister of External Relations, Federative Republic of Brazil, Palácio Itamaraty, Esplanada dos Ministérios, Bloco H -Brasília/DF, Brasil CEP 70.170-900

The Honorable Chen Deming, Minister of Commerce, People's Republic of China
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